

2017

CLUB LEADERSHIP SEMINAR - Club Treasurer

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CLUB TREASURER QUIZ!

So, you've either been elected, voluntold, or are interested in the position of Club Treasurer (or perhaps beyond the club level). Here's a little quiz just to see how much you may already know about the position, your responsibilities and how the whole financial end of Kin works.

1. How many signatures should you have on a club cheque?
 - a) three
 - b) one is fine
 - c) minimum of two
 - d) whoever is around to sign it
2. Who reviews the bank statements when received?
 - a) the treasurer
 - b) the president
 - c) the auditor at the end of the year
 - d) the secretary
3. What two pieces of information are to be sent to the District Executive by October 31st?
 - a) your treasurers contact information
 - b) the clubs reviewed financial statement for preceding year ending June 30th
 - c) the clubs approved current budget
 - d) a complete copy of your books

TRUE OR FALSE:

1. Your club is required to file annual tax returns with the Canada Revenue Agency
2. You should have at minimum both a General and a Service Account for your club
3. Your club should maintain financial documentation for a minimum of 10 years
4. Service funds raised from the public can be spent on members
5. You can take only a 15% "administration fee" from the Service account to offset General costs
6. You need to prepare one budget for the year to run your club
7. The budget can be approved at any time during the year
8. Project chair persons should prepare a proposed budget for presentation to the membership
9. You can use revenue from gaming (Nevada, bingo, etc) for anything your club wishes
10. Once a club has a good treasurer, they should keep that person as treasurer for as long as they'd like

- [illegible]

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GENERAL ACCOUNT VS SERVICE ACCOUNT

Kinsmen, Kinette and Kin clubs are incorporated and therefore must operate in a professional business-like manner. A primary function of these clubs is service work. They raise funds from the public, and then return those funds serving their community's greatest need. As such, these clubs are guardians of public funds, and must take all the necessary checks and balances to protect these funds and to spend them wisely.

Canada Revenue Agency requires corporations such as our clubs to file annual tax returns. Canada Revenue Agency does not see any difference between the type of money in our bank accounts however, our Objects indicate there are two components to belonging to the Association; Service and Fellowship. It is only appropriate that we internally track Service funds (those funds raised from the public and spent on the public) separately from General funds (those funds raised from our members and spend on our members). To do this, we consider our incorporated Clubs to have two accounts – a Service Account and a General Account.

Traditionally, when a club was first chartered, in order to manually track the finances for each Account, it would open two separate bank accounts, one being referred to as the General Account and the other referred to as the Service Account. When the treasurer reported to the club, the members could easily see the individual balances in the two accounts. Over time clubs would open and close additional bank accounts giving them different names. Often clubs would open accounts for special projects such as a Convention Bank Account a Cystic Fibrosis Project account. In some Provinces, clubs were required to have separate bank accounts to track their lottery funds.

Great care must be taken in tracking these funds, and *provincial rules and regulations supersede any Kin rules and regulations with respect to finances.*

Clubs, being legally incorporated, are therefore required to track their funds according to generally accepted accounting principles, and keep all financial records including documentation for a **minimum of 7 years**.



TRACKING FUNDS TO SERVICE OR GENERAL ACCOUNTS GENERIC RULES

1. SERVICE: Funds raised from the public are to be spent on the public. These funds are considered to be Service funds and are tracked through Service Accounts.
2. GENERAL: Funds are raised from members of Kin and their guests and therefore may be spent on members of Kin and their guests. These funds are considered to be General funds are tracked through General Accounts.
3. If you are unsure where to allocate any income – record it as a Service income.
4. If you are unsure where to allocate any expense – record it as a General expense.

EXCEPTION TO THE RULE:

1. Clubs may transfer an administrative fee for running service projects from the Service Account to the General Account.
 - a) By definition the Administrative fee is exactly that. It is a fee assessed to “operate” the corporations, in other words to pay for all those expenses that keep the corporation viable but are not directly related to a service project. For example the expense of a P.O. Box, maintaining a bank account, running a P.R. program, paying for guest meals, assessments from District and national (dues and insurance) etc.
 - b) Traditionally this administrative fee was set at 15% of total **NET** service income, and we would have guidelines as to what we should pay out of our Service and out of our General Accounts. There was also a perception that the administrative fee was to be spent on member activities.
 - c) The 15% “rule” is no longer in our General operating By-laws and as such each club must determine if and how much it wishes to assess its service fundraisers as an administrative fee and what to pay from where.
 - d) Obviously the most simplistic approach would be to have our financial reports reflect accurately would be needed to pay all administrative costs such as National and District assessments, PO Box, guest meals etc. out of the General Account and then transfer a set amount from Service to pay all of these expenses.
 - e) This way the Service finance report would only indicate the service projects and donations plus a single administrative transfer to General.
 - f) REMEMBER: This is only for INTERNAL TRACKING AND REPORTING purposes. As far as the CRA (and the public) is concerned we only have one financial report.

BANK ACCOUNTS

A club may open as many or as few bank accounts / investment vehicles as it deems necessary. The software can be used to accurately track and report the finances to the club membership. Provincial Gaming Authorities may require clubs to open and close individual bank accounts as required by legislation. The club Treasurer must be aware of these requirements.

A BUDGET IS A GUIDELINE

While this is true in most businesses, this is not entirely true in Kin. When clubs prepare a budget, it is comprised of General Ledger (G/L) accounts which pertain to specific donations items and projects.

“The budget is a guideline” applies to projects. However, it is challenging to accurately forecast the income and expenses of any project in advance. Therefore the chair has the authority to spend according to the project budget the club has approved. Obviously the project chair needs some flexibility to adjust as unforeseen circumstances present themselves. The primary goal is to meet the bottom line of the proposed budget. Should circumstances occur that will see a major deviation in the bottom line, the chair should advise the Executive and seek advice.

Where the budget is not a “guideline” is with approved individual donations to specific causes. The amount in the budget indicates the maximum amount the Executive may write a cheque for.

BUDGETS

Each year the Executive should present two budgets for review and acceptance by the membership:

- a General Account budget and
- a Service Account Budget.

Budgets are, in the opinion of the executive, the best estimates of the EXPECTED individual revenue and expense line items. Each budget should be presented as a separate motion. Any member may make an amendment to either budget by adding, deleting or modifying. The more complete a budget is the fewer motions will be needed during the upcoming year.

Ideally every project in the budget should be accompanied by a Project Proposal which would have a projected budget. The net amount is then transferred to the appropriate budget G/L account. The Club House Rules will dictate the advance notice needed before voting on the clubs budgets. Many House rules require a minimum of 2 weeks. **Budgets must be approved by the general membership by the first meeting in October.** Once approved, the Executive then has the approved spending authority to expend the amounts as approved in the budget.

Project chairs are authorized to spend according to their approved budgets. Sometimes the unexpected occurs requiring cost overruns. It is the Chairs job to seek executive approval before continuing. If the spending mushrooms then the club will need to be informed and corrective action may be required. Financial stability and trust comes when an Executive and the individual project chairs operate within the budget as approved by the membership.



AFTER THE BUDGET

After the budget has been approved, new projected income or expenditures may still be proposed and voted upon by the membership. If the project's total expenses are greater than set in the Club house rules - usually \$300 or \$500), the motion will require a minimum of 2 weeks' notice. Otherwise the motion can be dealt with immediately.

In addition to the spending authority approved in the budgets, and by subsequent motions from the floor of a general meeting, many clubs empower their executives to expend single amounts up to a set limit as stipulated in the Club House Rules. Most clubs limit this to either \$300 or \$500 per new item not already approved in the budget. Some clubs will also place a total annual cap on these expenditures either through the budgetary process or in their club House rules. (Often set between \$1,500 and \$2,500)

The Executive and every member have a responsibility to monitor the clubs revenues and expenditures on a regular basis. If total revenues are falling well below expectations, the club may have to reconsider its expenditures. If total revenues are considerably higher, new expenditures may be approved. It is only by receiving accurate and timely financial reports on a regular basis can the members fulfill their responsibility.

Clubs should have a mini-review done after Christmas and a full audit after the year end. Reviews can be performed by anyone not on the Executive. Clubs with large expenditures should get a professional audit performed.

TREASURER'S REPORT

Kin are the guardians of public funds, and the public have trust in us. We must not fail in our responsibility. It is a primary function of the executive as a group to ensure appropriate checks and balances are in place, and the members of the Executive provide the first line of defense.

The executive members have a fiduciary responsibility to read and understand the reports, and how they impact each other. If a treasurer fails to produce the report on a regular basis, the Executive have a responsibility to correct the issue. If there are any amounts or anything they do not understand, they must ask questions, and receive answers that they comprehend. By asking questions, the Executive may discover that an error has been made, or perhaps a disagreement may arise as to the appropriate allocation of an income or expense. Issues regarding projects can come to light through this avenue. The treasurer then has the opportunity to make corrections to the report given to the Executive. This corrected report would be in the Executive minutes. When the Executive minutes are presented to the general membership for ratification, they can ask questions. If the Executive have done their job, the report should be error-free. The approved report is then presented to the General membership at the General meetings. Members are encouraged to ask questions if they do not understand something. After all, members may be asked to vote on a financial issue, and voting carries the responsibility of understanding the reports and impacts of any motion.

Clubs where the members blindly accept the reports and question nothing are not performing their fiduciary responsibilities. This increases the opportunity for theft and misappropriation. Do not be blinded by having complete trust. Theft can and does happen. Kin is not immune.

GENERAL ACCOUNT FUNDRAISING IDEAS

Charging an administrative fee on all service work helps support the General Account. However, most clubs have been able to find some creative and legitimate ways of raising funds for their general account. The following list will give you some ideas in this area. It is by no means complete. There are a lot of good suggestions to be gained from other clubs.

- ❖ Hire yourself out as bartenders or dinner organizers
- ❖ Hire yourself out as ticket sellers • Hold club socials (i.e. a bowl-a-thon)
- ❖ Monthly club raffle or booster draw • 50/50 draw at every meeting
- ❖ Host a Zone or District interclub
- ❖ Catering meals to other clubs
- ❖ Zone Craft night
- ❖ Club trade fair
- ❖ Provide snow shovelling to seniors and physically challenged
- ❖ Deliver phone books to your community
- ❖ Theme auction (not recommended for Bring A Buddy nights) All people bidding on an item are expected to pay their bid. Only the one bidder close to the actual value of the item keeps the item. Actual prices are prepared in a sealed envelope prior to commencement of the auction.
- ❖ Hold a night golf tournament
- ❖ In house beer/beef/fridge raffle
- ❖ Host a Zone Conference, Fall Leadership Conference or District Convention
- ❖ Sell cheese / meats / frozen goods, etc., to your members
- ❖ Hold an Avon/Tupperware/Regal party and put the hostess discount into General account
- ❖ Sell club or Zone T-shirts

ALLOWABLE USES FOR GAMING PROCEEDS:

Refer to your Provincial Gaming Regulations for specific details regarding used of gaming proceeds.

This section is designed to give clubs in all eight Districts a basic understanding of the legitimate uses for “gaming” income. All Provinces regulate the “gaming” industry. Rules and regulations are in place to ensure that monies collected from gaming events such as bingos, lotteries, casinos, Nevada tickers, and games of chance are used for legitimate expenses and the net income is returned back to the community. This section does not claim to cover all instances where a club can spend “gaming” proceeds. It does, however, identify areas which can be applied. For more detailed information and applications, clubs are advised to contact their Provincial “gaming” income regulatory agency.

In some Provinces, additional rules and regulations are applied at a community level. It would be too large a task to identify these communities and their particular rules and regulations. Where community rules and regulations do apply, each club affected will have to ensure it is familiar with all the governing rules and regulations pertaining to “gaming” events. It should be noted that this knowledge does not relieve the clubs from also becoming familiar with any applicable Provincial rules and regulations.

As more and more clubs are finding it easier to earn “gaming” income rather than service income, it is becoming increasingly difficult to transfer money into our General bank accounts. With this decreasing

transfer of funds, the club members are finding that they are called upon to personally fund the administration of the club. With National, District and, in some cases, Zone dues increasing over time, the membership is starting to feel the financial strain. This section will identify areas that will allow clubs to pay for some of their expenses from “gaming” proceeds and therefore allow them to reduce the financial burden on the membership.

Some provinces stipulate that “gaming” monies must be deposited into a dedicated bank account which must be closed after all the specified recipients have been paid. Some provinces allow (or mandate) a club to open a consolidated “gaming” account where the net proceeds of all “gaming” events are deposited. Expenditures from “gaming” accounts of this nature are preapproved in the provincial application to open this bank account. The application for this consolidated “gaming” account does not need to be specific to a few restricted charitable causes. If the application is general in nature, it will provide the club the flexibility to donate monies to a wide variety of worthwhile causes within the community. “Youth and Community Development” is an example of a general statement of account expenditures. As always, if your club is unsure if expenditure fits within the mandate of their consolidated “gaming” account application, you need only to contact your applicable “gaming” regulatory agency for an interpretation.

When applying for a “gaming” license it is important that you identify all the costs involved in organizing and managing the “gaming” event. The regulatory agencies are reluctant to allow expenditures that are not identified in the application. It is easier to get approval for expenditure before the “gaming” event starts than it is to justify afterwards. Gaining approvals after the fact can be complicated and time-consuming. It can involve presentations at review or appeal boards during which a club still runs the risk of having to fund some or all of the expenditure from the club’s Service or General account.

Presenter Notes:

Please be aware that the information in this document is part of the Successful Club Manual that can be found on the National Website. There is also a Club Treasurers Manual; however it focuses primarily on the position with the use of Quick Books. I encourage any Club Treasurer who will be using Quick Books to access that important piece of information.